

Message Text

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PAGE 01 VIENTI 01937 01 OF 02 191137Z

51

ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 IO-10 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 AGR-05 NIC-01 INT-05

/103 W

----- 118821

P R 191041Z MAR 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 2966

INFO AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 1 OF 2 VIENTIANE 1937

E.O. 11652: N/A

TAGS: ECON, LA

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (MAR 12-18)

BEGIN SUMMARY. TOTAL FOREIGN EXCHANGE SALES WERE \$415,000 FOR WEEK ENDING MAR 14. FREE MARKET RATE FOR DOLLARS AND USAID COST-OF-LIVING INDEX DOWN marginally. RICE PROVIDED BY NORTH VIETNAM AS COMMODITY ASSISTANCE PLACED ON SALE BY PGNU. TECHNICAL DELEGATION DEPARTS FOR INDONESIA. COMMODITY AID FROM NORTH VIETNAM CONTINUES TO ARRIVE IN PAKSANE. ADB AND UNDP WILL ASSIST LAOS IN ECONOMIC PLANNING. ADO TEMPORARILY CEASES RICE SALES. PGNU HAS TAKEN MEASURES TO REDUCE SMUGGLING OF PETROLEUM PRODUCTS TO THAILAND. LOCAL PRESS GIVES WIDE COVERAGE TO DEVALUATION AND RESTRUCTURING OF EXCHANGE SUSTEM. END SUMMARY.

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING MAR 14 WAS \$415,000, COMPARED WITH PREVIOUS WEEKLY AVERAGE FOR CY 1975 OF \$479,000. OF LIMITED OFFICIAL USE

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PAGE 02 VIENTI 01937 01 OF 02 191137Z

FX SOLD, 27 PERCENT WAS FOR PETROLEUM PRODUCTS,

14 PERCENT FOR ZINC INGOTS, AND 9 PERCENT FOR CEMENT.

2. THE FREE MARKET RATE FOR DOLLARS DECLINED MARGINALLY DURING PAST WEEK. ON MAR 19 MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,390 KIP PER DOLLAR AND SELLING FOR 1,400 KIP, DOWN FROM 1,400 BUYING AND 1,450 SELLING ON MAR 12. BAHT WAS BEING BOUGHT FOR 6,800 KIP PER 100 BAHT, SELLING FOR 6,900 PER 100 BAHT.

3. USAID COST-OF-LIVING INDEX DECLINED SLIGHTLY DURING PAST WEEK, REFLECTING PRIMARILY PRICE DECREASES IN FISH, EGGS, AND SOME FRUITS AND VEGETABLES, OFFSET TO SOME DEGREE BY INCREASES IN PRICE OF SUGAR AND FISH SAUCE. USAID INDEX ON MAR 17 SHOWED FOLLOWING CHANGES:

	PERCENTAGE MAR 10	CHANGE SINCE END CY 74
GENERAL INDEX	(-0.7)	6.6
RICE INDEX	-0-	11.3
NON-RICE INDEX	(-0.8)	5.6

4. SALES BY LAO GOVERNMENT ORGANIZATION (COMMITTEE TO RECEIVE AND DISTRIBUTE FOREIGN AID) OF 2ND GRADE NON-GLUTINOUS RICE RECEIVED FROM NORTH VIETNAM BEGAN OFOMAR 14 (VIENTIANE 1625). SALES ARE BEING MADE ONLY TO INDIVIDUALS, AND PGNU AT THIS TIME IS NOT PLANNING TO ALLOW SALES OF RICE BY PRIVATE RETAILERS. RICE CURRENTLY BEING SOLD BY PGNU IN FOUR LOCATIONS AROUND VIENTIANE, WITH GOVERNMENT REPORTEDLY PLANNING ON INCREASING NUMBER OF SALES OUTLETS IN VIENTIANE, AND ESTABLISHING OUTLETS OUTSIDE OF VIENTIANE PROVINCE. THOSE INDIVIDUALS WISHING TO PURCHASE RICE (LIMITED TO 10 KILOS PER MONTH PER PERSON) MUST EITHER (1) HAVE AUTHORIZATIONS FROM DIRECTORATE OF COMMERCE THAT WERE ISSUED IN CONJUNCTION WITH THE RATIONED SALES OF SUGAR AND MILK (SEE VIENTIANE 6819, 9/4/74), OR (2) MUST OBTAIN AUTHORIZATION FORMS FROM THEIR NAIBANS (VILLAGE CHIEFS). THE GOVERNMENT IS REPORTEDLY ALSO PLANNING TO SELL RICE TO GOVERNMENT EMPLOYEES (MILITARY, LIMITED OFFICIAL USE

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PAGE 03 VIENTI 01937 01 OF 02 191137Z

POLICE AND CIVILIAN) BY DISTRIBUTION THROUGH MINISTRIES OR MILITARY ORGANIZATIONS.

5. COMMODITY AID FROM NORTH VIETNAM CONTINUES TO ARRIVE IN PAKSANE, WITH INFORMATION AVAILABLE TO MISSION INDICATING THAT THROUGH MAR 11 4,293 MT HAD ARRIVED. OF THIS TOTAL, 1,527 MT WAS RICE AND 2,766 MT WAS CEMENT. PGNU HAS COMPLETED NEW STORAGE

FACILITY IN PAKSANE AND PROVINCIAL RURAL DEVELOPMENT COMPOUND (FORMERLY USAID COMPOUND) NO LONGER NECESSARY FOR STORAGE (VIENTIANE 1391). TO DATE 21 CONVOYS HAVE ARRIVED AVERAGING 40 TRUCKS PER CONVOY WITH AVERAGE LOAD PER TRUCK OF 5.1 METRIC TONS.

6. AGRICULTURAL DEVELOPMENT ORGANIZATION (ADO) TEMPORARILY SUSPENDED SALES OF RICE ON MAR 14 DUE TO LACK OF SUFFICIENT RICE SUPPLIES TO SUPPORT CONTINUOUS SALES OF RICE. SALES WILL RECOMMENCE AFTER ADO HAS PURCHASED SUFFICIENT RICE TO SUSTAIN UNINTERRUPTED RICE SALES FOR AT LEAST ONE WEEK. ADO PRESENTLY PURCHASING RICE ONLY WITHIN LAOS.

7. A PGNU TECHNICAL DELEGATION DEPARTED VIENTIANE ON MAR 14 FOR JAKARTA TO DISCUSS THE DETAILS FOR UTILIZATION OF \$1 MILLION INDONESIAN LOAN ARRANGED BY THE AID-SEEKING MISSION WHICH VISITED INDONESIA IN JANUARY (VIENTIANE 0837).

8. ADB ANNOUNCED ON MAR 13 THAT IT WILL BE EXECUTING AGENCY FOR A UNDP TECHNICAL ASSISTANCE GRANT TO PGNU OF \$320,000. THE GRANT PROVIDES FOR AN ELEVEN-MAN TEAM, OVER A SIX-MONTH PERIOD, WHICH WILL AID THE PGNU IN PREPARATION OF AN INTEGRATED TWO-YEAR NATIONAL PROGRAM OF PRIORITY DEVELOPMENT PROJECT PROPOSALS FOR BOTH TECHNICAL AND CAPITAL ASSISTANCE. PROJECTS WOULD BE IN FORM SUITABLE TO ENABLE PGNU TO APPROACH DONOR GOVERNMENTS AND AGENCIES FOR PROJECT FINANCING. PRIMA FACIE VIABILITY OF CAPITAL ASSISTANCE PROJECTS WILL BE ESTABLISHED AND PROGRAM WILL BE DESIGNED TO MAKE BALANCED CONTRIBUTION TO LIMITED OFFICIAL USE

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PAGE 04 VIENTI 01937 01 OF 02 191137Z

ACHIEVEMENT OF OBJECTIVES OF SECOND FIVE-YEAR PLAN (DETAILS IN MANILA 2553).

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PAGE 01 VIENTI 01937 02 OF 02 191134Z

51

ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 IO-10 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 AGR-05 NIC-01 INT-05

/103 W

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P R 191041Z MAR 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 2967

INFO AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 2 OF 2 VIENTIANE 1937

9. THE MINISTRY OF ECONOMY AND PLAN HAS REPORTEDLY ISSUED A NEW REGULATION, EFFECTIVE MAR 17, DESIGNED TO REDUCE SMUGGLING OF PETROLEUM PRODUCTS (9(9)) TO THAILAND (VIENTIANE 1755). THIS REGULATION INCLUDES MEASURES TO CONTROL THE PURCHASE AND SALE OF POL THROUGHOUT THE COUNTRY. PRIMARY FEATURES OF THIS REGULATION ARE A PROHIBITION ON SELLING GASOLINE, DIESEL OIL AND ENGINE OIL IN 200 LITER DRUMS, 20 LITER QUOTE JERRY CANS UNQUOTE, AND PLASTIC BAGS. REGULATION REPORTEDLY FURTHER SPECIFIES THAT GAS STATIONS WITHIN VIENTIANE PREFECTURE MAY SELL FUEL UP UNTIL 2100 HOURS, AND THOSE OUTSIDE PREFECTURE CAN SELL UP UNTIL 1800 HOURS.

10. LOCAL PRESS IN VIENTIANE, INCLUDING CHINESE, LAO AND FRENCH PUBLICATIONS, HAS GIVEN FAIRLY DETAILED COVERAGE OF PGNU DISCUSSIONS OF POSSIBLE DEVALUATION AND RESTRUCTURING OF LAO FOREIGN EXCHANGE SYSTEM. WIDESPREAD KNOWLEDGE OF DISCUSSIONS UNDERWAY DOES NOT APPEAR TO HAVE HAD ANY SERIOUS REPERCUSSIONS
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PAGE 02 VIENTI 01937 02 OF 02 191134Z

IN LOCAL BUSINESS COMMUNITY. THE NEGATIVE IMPACT WHICH COULD NORMALLY BE EXPECTED FROM DISSEMINATION OF SUCH INFORMATION (AS IN EARLY NOV 1971 AND JULY 1974) OBVIOUSLY LARGELY AVOIDED DUE TO CURRENT FX CONTROLS. ONE SALUTARY RESULT OF PRESS COVERAGE AND WIDESPREAD KNOWLEDGE OF IMPENDING DEVALUATION (WHICH WILL AGAIN BE CONSIDERED AT MAR 19 CABINET MEETING) HAS BEEN

STRONG DOWNWARD PRESSURE ON FREE MARKET RATE.

11. DECONTROL FOLLOWING 3/19/76.

WHITEHOUSE

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Message Attributes

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TAGS: ECON, LA
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Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006